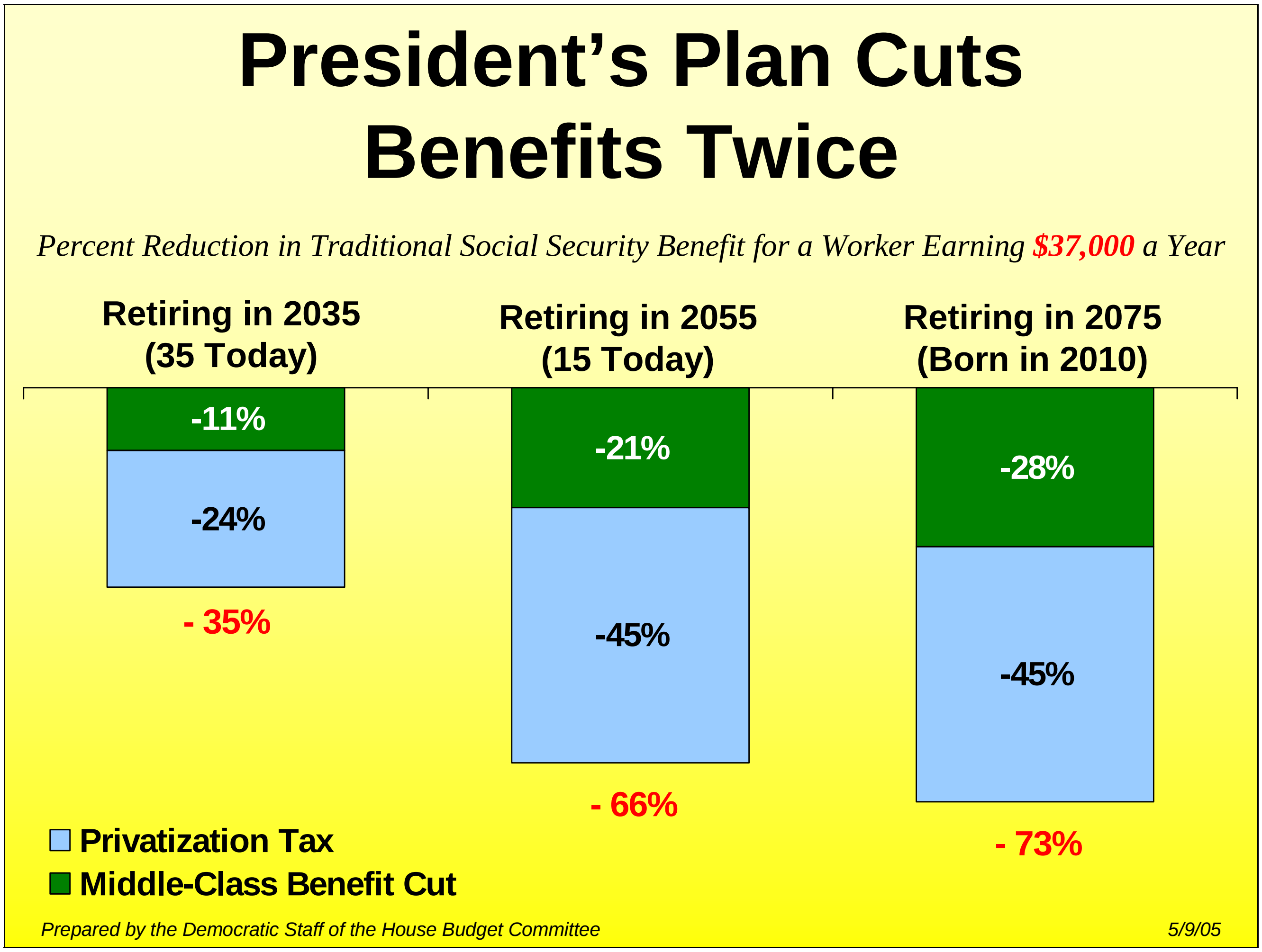
Combined Effect of Sliding-Scale Middle-Class Benefit Cuts and the Privatization Tax



[chart also available showing results for $59,000-a-year worker – see Appendix]

Many young people wrongly believe that "Social Security won't be there for me when I retire." That is simply not true. Even if the trust fund reserves were exhausted in 2052, the system would still have enough incoming revenue to pay 78 percent of benefits.

Under the President's plan, Social Security actually <u>would</u> virtually disappear for many of today's young workers. The chart shows the combined effect of the middle-class benefit cut and the privatization tax on traditional benefits (excluding payouts from private accounts) for workers with average annual earnings of $37,000 in today's dollars. A worker who is born in 2010, earns $37,000 a year, chooses a private account, and retires at age 65 would receive a Social Security benefit *73 percent less* than what he is scheduled to receive under current law. The proceeds from the worker's private account might or might not make up for this benefit cut, depending on how his investments perform. If he happens to be an unlucky investor, he could face a grim retirement.

The bottom line is, the President's plan is a bad deal for today's younger workers. They will contribute 12.4 percent of their earnings to Social Security, but they will receive virtually no guaranteed benefit in return. What's more, they will be saddled with the burden of paying off the massive debt that the government would run up in order to create these risky private accounts.